

Rewald Trustee Accused of Coercion

By Lee Catterall
Star-Bulletin Writer

Ronald Rewald's civil attorney today accused the trustee of Rewald's bankrupt investment firm of "coercion" in seeking an agreement from Rewald to drop any claims to his personal property in exchange for a \$50,000 payment to Rewald's wife Nancy.

Rewald attorney Robert Smith said Rewald would agree to drop those claims for \$300,000, but that offer has been rejected by bankruptcy trustee Reynaldo Grauly.

Grauly was not immediately available for comment today.

Rewald is being held in state prison in lieu of \$10 million bail while awaiting trial on two felony theft charges stemming from his activities with the firm of Bishop, Baldwin, Rewald, Dillingham and Wong.

Earlier this month, Smith and Grauly reportedly were near

agreement to sell Rewald's personal property and the corporation's property with Grauly to keep up payments on Rewald's \$6 million life insurance policy.

The rights of Rewald and the firm's debtors to proceeds from the sale of the properties would be resolved sometime later, Smith said.

REWALD, HOWEVER, asked for a payment of \$50,000 to his wife and five children, who are living on the Mainland. The payment would be deducted from the amount to which Rewald eventually is found entitled to after the sale, Smith said.

Smith said Grauly "flatly rejected" Rewald's request unless Rewald agreed to relinquish claims to the family's personal assets, release Grauly from all claims for "personal liability for his conduct to date" and "admit

that substantially all of his (Rewald's) personal assets came from the trustee has taken all his (Rewald's) money," Smith said. "Having done so, the trustee now attempts to force Mr. Rewald into signing over everything without a trial, using Mr. Rewald's concern for his family and his inability to pay the life insurance premiums as a lever. This is coercion and must be resisted."

Smith sharply criticized Grauly's reluctance to reach an agreement that could allow Rewald to help in locating Bishop Baldwin assets.

"WHAT IS THE bankruptcy accomplishing?" Smith asked.

"The trustee said once that he had all the assets accounted for, down to the last penny."

"Most recently, he (Grauly) contradicted himself and said that there are assets still unaccounted for," Smith said. "Where

are they? How do investors get at them?"

"The trustee is being paid \$900,000 a month of Bishop Baldwin monies," Smith said. "His attorneys now seek almost \$100,000 in fees and costs for two months of work, likewise to be paid out of Bishop Baldwin monies."

"What do they have to show for all this expense?" Smith asked. "They have an estate which, according to the trustee, is worth only \$2 million, including both the Bishop Baldwin assets and the Rewald assets. Yet \$12 million of investor monies flowed through Bishop Baldwin, according to the trustee's original estimate."

"What happened to it?" Smith asked, adding that there may be a "better way to get it back than having a pack of 10 or more attorneys picking over the bones in this fruitless bankruptcy..."

Tuesday, October 18, 1983

10-25-83

Rewald Lawyer: \$200,000 Bail Is Still Too High

By Lee Catterall
Star-Bulletin Writer

Ronald R. Rewald's bail was reduced by a state judge yesterday from \$10 million to \$200,000 in cash while he awaits trial on two first-degree theft charges.

However, Rewald attorney Samuel P. King Jr. said the bail remains too high and he will ask the state Supreme Court today to lower it.

"I think it's still unreasonably high bail," King said after Circuit Judge Robert W.B. Chang lowered it.

King asked the Supreme Court on Oct. 14 to order the bail reset at \$10,000 to \$20,000, and he asked Chang yesterday to set it at \$20,000.

Under the kind of bail proposed by King, Rewald could have been able to post 10 percent of the amount with a bail bondsman who would insure the rest of the amount.

Chang rejected King's request that the same 10 percent bail formula be applied to the \$200,000 amount.

King said his client has been in Hawaii for almost a year and has been offered a chance to live at the Holy Trinity Church while awaiting trial.

Chang LOWERED the bail yesterday because of what he called a change of circumstances.

Chang said he felt in August that there was reason to set high bail because of indications that there were "millions of dollars floating around somewhere" that were accessible to Rewald.

He said he was "not certain that is so today."

In arguing for a lower bail, King said, "If Mr. Rewald wanted to run away, he could have done so long ago," apparently referring to the time before his hospitalization but after reports surfaced about suspect activities at his investment firm, Bishop, Baldwin, Rewald, Dillingham & Wong.

"He still doesn't want to run," King said. "The reason he wants to get out is he wants to fight."

King said he believes Bishop, Baldwin money that the bankruptcy firm's trustee has been unable to find "can be located if he (Re-

wald) has a chance to talk to the people he needs to talk to to locate documents."

Because of a bankruptcy order by federal Judge Martin Pence, all of Rewald's personal money and Bishop, Baldwin money have been frozen, leaving Rewald penniless, King pointed out. However, he said, Rewald possibly could post a lower bail.

"At least he has a chance," King told Judge Chang. "He does have friends. He does have family."

ASKED AFTERWARD if Rewald's friends and relatives would be able and willing to post \$200,000, King said, "I doubt it."

Asked the same question, bankruptcy administrator Thomas Hayes said, "Two hundred thousand dollars is not a great deal of money in terms of the money that went through Bishop, Baldwin."

Chang was sharply critical of a report compiled by the Intake Service Center suggesting Rewald be released on \$20,000 bail. The recommendation was made because Rewald has community ties, has lived in Hawaii for almost a year, and has been offered a chance to live at the Holy Trinity Church while awaiting trial.

Chang rejected the notion that Rewald has ties to Honolulu because he is "not a local, locally bred individual."

Also, Chang said, the Intake Service Center's report failed to mention that Rewald has a prior theft conviction in Wisconsin.

Deputy City Prosecutor Peter Carlisle called the report "incredibly irresponsible."

In opposing a bail of \$20,000, Carlisle pointed to financial reports indicating that Rewald made "10 times that the last two months of his activities."

Although most theft defendants are allowed free on much lower bail, Carlisle said Rewald's bail should remain high.

"The standard theft one case is \$200 worth of Liberty House aloha shirts," he said.

King responded that the amount Rewald is accused of stealing means little in terms of what he now can afford to post as bail.

"The test is not how much money the defendant took," King said.

SEC probe

Why action on Rewald was too late for investors

By James Dooley
Market Staff Writer

Consumers can't count on the U.S. Securities and Exchange Commission as a surefire safeguard against misrepresentations by investment advisers. That's one lesson that has grown out of the continuing saga of the Honolulu firm of Bishop Baldwin, Rewald, Dillingham and Wong.

The SEC is involved in the case now. The agency alleged in a civil complaint filed here in August that Ronald Rewald and his company had committed fraud and filed false reports with the regulatory agency.

But the SEC complaint wasn't filed until after the company had been forced into bankruptcy proceedings and more than \$12 million in investors' funds had disappeared.

Although some of the allegedly false claims had been in SEC files for six years, SEC attorney Anita Nagler said yesterday the commission is not equipped to check the accuracy of all information filed with it by securities dealers and investment advisers.

Nagler said by telephone yesterday from the Los Angeles regional office of the SEC that the commission does a very limited amount of checking of information contained in registration forms filed by investment advisers. Several hundred forms are received annually just at the Los Angeles office of the SEC.

she said.

"We have 45 days to receive and process each registration and to initiate a proceeding to block the registration," she said.

"We attempt to make checks, run the information through our computer, but in terms of doing an investigation, that doesn't happen," she said.

Once registered with the SEC, investment advisers are subject to an "examination" by the commission, which Nagler said is not as exhaustive as a full audit. The investment adviser's records and bookkeeping methods are reviewed during this examination, Nagler said.

"Due to the large number of investment advisers, the examinations are not done on a yearly basis by any stretch of the imagination," she said.

The four examiners in the Los Angeles regional office, who are responsible for investment firms as well as investment advisers, last year performed 100 examinations, she said.

Bishop, Baldwin, Rewald, Dillingham and Wong was examined in 1981, but not by the Los Angeles SEC office, Nagler said. The examination was conducted by the Washington, D.C., SEC office, according to Nagler.

Rewald's firm first filed with the SEC as an investment adviser in September 1976, when the company was based in Wisconsin and known

as CMI Corp., according to SEC files.

Rewald said in that initial filing that he was a graduate of Marquette University. Rewald never attended Marquette, according to university records.

Rewald also said in that filing that he had not been convicted within the past 10 years of "any felony or misdemeanor involving embezzlement, fraudulent conversion, or misappropriation of funds or securities."

The Wisconsin securities commissioner's office in 1976 charged Rewald with criminal violation of the state's franchise investment law. He was accused of selling a sporting goods store franchise to two men in 1974 without first registering with the state.

Rewald pleaded no contest in 1976 to a reduced charge of misdemeanor theft, was ordered to pay \$2,000 in restitution and placed on two years' probation.

Amended filings to the SEC by Rewald's firm did not disclose that conviction.

Nagler said she could not discuss the results of that examination, nor could she disclose if it resulted in any type of enforcement action against the firm.

Enforcement actions initiated by the SEC result from investigations prompted by the SEC examinations or by complaints filed by the public, she said.

Because of the pending litigation against Rewald and his company, Nagler said, she could not discuss what touched off the investigation of Rewald's firm.

The litigation is "still in the discovery stage," Nagler said. As part of that process, the California operations of Ronald Rewald's bankrupt investment counseling firm will be the subject of sworn depositions to be taken today and next week by SEC attorneys.

An attorney for the bankruptcy trustee in charge of Bishop, Baldwin, Rewald, Dillingham and Wong will also participate in the depositions, she said. They will center on company activities in the Napá, Calif., office of the firm.

Robert Jinks, an attorney originally associated with the firm in Honolulu, later worked for the company as a consultant in Napá. Jinks' deposition will be taken at a later date, according to bankruptcy trustee attorney Donald Gelber.

Depositions concerning the operation of another company branch office, in Beverly Hills, are scheduled for next week, according to Nagler. Rewald and his firm have been the subjects of intense investigation by a variety of federal, state and local law-enforcement agencies since early August.

Rewald was indicted by a state grand jury on two theft charges in early August. He is now being held in lieu of \$200,000 bail.

1C-26-83

Rewald turned down for jobless benefits

By Charles Turner
and Jim Borg
Advertiser Staff Writers

Ronald R. Rewald, who lived a millionaire's life before his investment company collapsed three months ago, is trying to get unemployment benefits of \$178 a week. But the state Labor Department says no one in Rewald's position — in prison — would qualify.

Rewald's attorney, Robert A. Smith, said he will appeal the state's denial of the application.

Rewald is being held on \$200,000 bail while awaiting trial on two state theft charges.

His company, Bishop, Baldwin, Rewald, Dillingham and Wong, was forced into bankruptcy after taking in more than \$12 million in investors' money.

Robert Gilkey, deputy state labor director, said no one in Rewald's situation could qualify for benefits for at least three reasons: he was in jail and therefore unable to appear personally to apply, he was not "available for work," and he couldn't report to the unemployment office once a week about his search for a job.

Also yesterday Rewald's lawyer asked the Hawaii Supreme Court to lower bail for the jailed investment counselor from \$200,000 in cash to a more manageable \$20,000.

If that is granted, Rewald would be released if he or his acquaintances put up \$2,000 through a bondsman. The preliminary legal steps are expected to take weeks.

In a petition and memo filed yesterday, attorney Sam King Jr. dismissed as "pure speculation" concerns that Rewald had stashed away large sums of money with which to flee the islands.

King said it has now been shown that all money deposited with the firm "has been accounted for by disbursement checks" and

is not "floating around somewhere," as had been suggested.

Circuit Judge Robert W.B. Chang lowered the bail from \$10 million on Monday, but King insists Rewald "has no reasonable chance of making \$200,000 cash bail."

Although Rewald's immediate family is on the Mainland, King said his client does have community ties here, an important consideration in bail matters. "He has friends who are willing to house and feed him, and his sister-in-law lives in Hawaii," he said.

Rewald Can't Get Jobless Benefits

Ronald R. Rewald, unable to persuade a judge to free any of his frozen assets, applied for unemployment compensation benefits from the state Department of Labor and Industrial Relations.

Although Rewald is unemployed, his request was denied because he had not applied in person, a labor department official said.

Rewald is being held in prison in lieu of \$200,000 bail pending trial on two theft charges. All of his personal assets were frozen after the collapse of his investment company, Bishop, Baldwin, Rewald, Dillingham and Wong in August.

Robert Smith, Rewald's civil attorney, said he applied for the unemployment benefits on behalf of Rewald but the application was denied. He said he would appeal the denial.

Robert Gilkey, deputy director of the labor department, said the application was denied because Rewald had not applied in person, but added there were a number of other reasons why a person in prison would not be eligible to receive such benefits.

One of the most important reasons is that inmates are not eligible to work, one of the main qualifications for getting jobless benefits.

Meanwhile, Rewald's criminal attorney, Samuel King Jr., asked the state Supreme Court yesterday to lower Rewald's bail from \$200,000 to \$20,000. The bail had been set at \$10 million but Circuit Judge Robert Won Bae Chang lowered it last week to its present amount.

King said Rewald is not in a position to post the \$200,000 either.

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Pence OKs fees to lawyers from Rewald assets

By Jim Borg
Advertiser Staff Writer

Lawyers wanting paychecks argued with worried investors at a federal court hearing yesterday, but the lawyers won their fight for fees from Ronald Rewald's bankrupt firm.

U.S. District Judge Martin Pence approved payments from Rewald's investment company to 1) lawyers representing the estate trustee and 2) lawyers for the investors who pushed for the initial bankruptcy action.

It was the first money to be released from the Rewald estate since assets were frozen by court order. Pence refused a request from Rewald attorney Robert A. Smith to use what's left of investors' money to continue payments on Rewald's \$2-million life insurance policy.

"I'm not here to take away anything from the lawyers," said Hilo insurance executive Wayne Sato, who said he invested \$450,000 with Rewald. "I'm here to preserve what's left of the Rewald account."

An attorney representing another investor accused the lawyers of "feeding off the creditors."

Bankruptcy lawyers Don Gelber and James Wagner asked for \$82,747 in fees for two months' work, \$3,310 in state taxes on those fees and \$5,122 for expenses. Pence approved payment of 80 percent of the fees, tax and expenses for a total of about \$74,000.

Gelber argued that piecing together what was left of the company's assets has been an expensive "archeological expedition," but legal costs will decrease from here on.

Pence defended the bankruptcy lawyers, saying, "They were just digging. They had to do it. If they hadn't, everyone and every creditor would have screamed, 'Why didn't you dig deeper?' ... It can't be helped when you have fraud of this nature. Everybody gets hurt."

Rewald, once a high-living acquaintance of many of Hawaii's rich and powerful, remains jailed awaiting trial on theft charges. More than 400 investors paid into his now-defunct firm of Bishop, Baldwin, Rewald, Dillingham and Wong.

Thomas Hayes, bankruptcy administrator, has said about \$200,000 remains in the firm's central checking account, a funnel for some \$22.7 million over the past five years. He said money owed investors may total around \$17 million.

Pence also approved a formula by which Gelber and Wagner can get paychecks for 80 percent of fees every month, with the remaining 20 percent to be reviewed periodically. But he set a \$30,000 limit on monthly disbursements.

Pence also released \$32,390 in legal fees and \$512 in expenses for Robert J. Smolenksi, an attorney for a group of investors who forced the firm into involuntary bankruptcy.

A-14 Saturday, November 5, 1983 The Honolulu Advertiser

Rewald attempt to jump cut bail 'almost a certainty,' attorney says

By Thomas Kaser
Advertiser Staff Writer

Jailed businessman Ronald Rewald almost certainly will attempt to flee Hawaii if the Supreme Court grants his request to lower his bail from the current \$200,000 to \$20,000 and he is freed, the prosecutor's office said in a court document filed yesterday.

Rewald, accused of defrauding several hundred investors out of more than \$17 million, has asked the Supreme Court for the reduction because he feels the \$200,000 bail is excessive and an abuse of judicial discretion.

But in a response filed with the high court yesterday, Deputy Prosecutor Art Ross warned that Rewald will be able to post a \$20,000 bail and "has everything to gain and nothing to lose by permanently leaving Hawaii."

Rewald's jumping of bail, Ross argued, "would be almost a certainty for several reasons."

"He faces the threat of prolonged imprisonment since additional



"This is not a run-of-the-mill theft case, as (Rewald's) attorney (Samuel King Jr.) suggests," Ross said. He cited the following other reasons why Rewald is likely to flee if released on bail:

- His earlier attempt to commit suicide.

- His lack of family or community ties here. Ross said Rewald's family has moved to the Mainland.
- His leaving Wisconsin after he was convicted of fraud there.
- His lack of credibility, as evidenced by his irresponsibility to investors and his high lifestyle.
- His disrespect of the law.
- His poor attitude, as shown by his attorney's testimony at the first bail hearing.

When Rewald was taken into custody Aug. 11 his bail was set at \$10 million. On Oct. 24 it was lowered to \$200,000 in cash. His request for a further lowering to \$20,000 is supported by the Intake Service Center at the state prison.

The Supreme Court can now rule on Rewald's request or can order a hearing on the matter.

charges — both state and federal — are likely to be filed, which would subject him to an extended term as a multiple offender if convicted of two or more crimes. Surely this is a most bleak prospect for a man accustomed to a high lifestyle and success," Ross said.

Rewald's indictment on two counts of first-degree theft threatens him with not only a long-term imprisonment, Ross said, but also a \$240,000 order of restitution, "which alone could keep (him) a poor man for the rest of his life."

Meanwhile, all of his known assets have been frozen until his status is resolved in Bankruptcy Court, and many suits are expected to be filed by his former clients, the response states.

Lawyers Get \$100,000 in Rewald Case

3-6 11/11/82
U.S. Judge Martin Pence yesterday approved the payment of more than \$100,000 in fees to attorneys involved in the bankruptcy proceedings of Ronald R. Rewald's defunct investment company Bishop, Baldwin, Rewald, Dillingham & Wong.

Pence approved the payment of \$68,845, plus \$5,122 for out-of-pocket expenses, for the law firm of Gelber and Wagner. Donald Gelber and James Wagner represent bankruptcy trustee Reynaldo Gaulty and administrative controller Thomas Hayes.

Wagner said his firm logged more than 800 hours on the case from Aug. 4 to Sept. 30.

The payment represents 80 percent of what the firm requested, Wagner said, with the remainder to be paid at a later date. Pence approved a request by the attorneys to be paid monthly from now on, Wagner said.

Pence also approved the payment of \$12,000 to attorney Robert Smolensky, who represented the group of creditors which forced Rewald's company into bankruptcy.

Pence refused a request by Rewald's civil attorney, Robert Smith, to order the trustee to pay premiums on Rewald's \$2 million insurance policy.

Without payment of the \$2,300 premium, the policy will lapse, Wagner said. He said the trustee considered the insurance policy a bad investment.

Rewald still has two life insurance policies worth \$3 million with Sovereign Life Insurance Co. The company, however, is contesting the policy on the grounds that Rewald lied on his application.

Another \$1 million policy already has lapsed, Wagner said.

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